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SUBJECT: PASOK STEWS ALONE IN SIEMENS SCANDAL AS PM DELAYS  
INQUIRY INTO CURRENT OFFICIALS

REF: ATHENS 899

11. (SBU) SUMMARY: A major scandal involving alleged pay-offs by the German firm Siemens to officials of the former PASOK government may also ensnare current New Democracy officials, but PM Karamanlis has put off any parliamentary inquiry until after judicial officials have completed their investigations -- perhaps by the end of the summer. Sitting members of Parliament are immune from judicial investigation and prosecution, so a parliamentary inquiry would be the only way to look into potential wrong-doing by current officials. Meanwhile, ever-widening accusations against former PASOK officials continue to hammer the party, which has been suffering from declining poll ratings and internecine leadership battles (reftel). END SUMMARY.

#### THE ALLEGATIONS

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12. (SBU) Main opposition PASOK has been badly rattled by the allegations made June 15 by Theodoros Tsoukatos, an ex-confidant of former Prime Minister Costas Simitis, who publicly admitted receiving one million Deutsche marks (EUR420,000) from the German telecom giant Siemens on behalf of the party. Tsoukatos, who, without holding a formal party job, acted as Simitis's effective chief of staff and "fixer" with extensive control over the PASOK party machine, revealed that in 1999 he had "facilitated" the transfer of money to the PASOK treasury via foreign bank accounts and local couriers. Tsoukatos, in a brief submitted to prosecutors, said he knew the money originated with Siemens and was being offered as a "contribution" to PASOK's election campaign. He described the route the amount, but the former Simitis cash "campaign gifts" to political parties in Greece was long-established and had always operated without objection from politicians and party officials.

#### RULING NEW DEMOCRACY ALSO TAKING HEAT

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14. (SBU) The pro-PASOK press has insisted that "Siemens money" has found its way into the ruling New Democracy's (ND) treasury as well. ND spokesmen evade these allegations, with party secretary Lefteris Zagoritis telling reporters that "So far, there is evidence concerning members of other parties and not those of ND." But most commentators believe that sooner or later the "Siemens thread" will lead to ND.

15. (SBU) With prosecutors summoning an ever-widening circle of witnesses, PM Karamanlis announced that his administration was ready to launch a parliamentary inquiry into the affair -- but only after judicial officials had completed their own probes, probably by the end of summer. In recent weeks,

Karamanlis has been attacked almost daily by opposition parties for his presumed reluctance to initiate a parliamentary investigation of the Siemens allegations which, so far, appear to affect primarily PASOK. The allegations have, however, already triggered reaction from incumbent ND cabinet ministers. Transportation Minister Michalis Liapis (who is a cousin of the prime minister) has filed three separate lawsuits against newspaper and television reporters, claiming he was being publicly slandered by reports alluding Siemens money had found its way into the ministry on his watch. Minister for Merchant Marine and Island Policy Giorgos Voulgarakis has similarly filed papers with the court to protect himself against "malicious hearsay and unsubstantiated allegations" seeking to link him with Siemens bribes.

#### PAPANDREOU'S REARGUARD ACTION

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16. (SBU) PASOK chairman Papandreou announced a zero-tolerance approach to all members of PASOK who would be named by prosecutors as having received Siemens bribes. The PASOK leader has been calling for months for a parliamentary inquiry, which is the only investigation that may delve into the affairs of sitting parliamentarians, who are protected by law from judicial inquiries and prosecution. In a press conference on June 27, Papandreou decried those "who use party business to promote (their own) business ... and thus lay a stain on the whole political system." Without mentioning Siemens specifically, Papandreou warned that the continuing discrediting of politicians might soon result in popular discontent that the political system would not be able to contain.

#### COMMENT

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17. (SBU) The Siemens affair may be the most serious scandal Greece has confronted in a long time. There have been many past allegations of bribe-taking and other corrupt practices. But the Siemens affair is different because the primary investigation was done by the Germans in a much more thorough and detailed manner than the Greeks are accustomed to. Some commentators believe the scandal has the potential of causing major political upheaval and even of inducing Karamanlis to call early elections -- though we note that suggestions of early elections are a hardy Greek perennial. Others, however, underscore the "long tradition" in Greek politics of covering up scandals quickly and efficiently and express doubt whether the investigation -- even one as thorough as the German case -- could reach those at the heart of the Siemens affair. By delaying the opening of a parliamentary investigation, Karamanlis has delayed attention being focused on current ND officials and left PASOK to stew in allegations over the summer.

SPECKHARD